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UNITED STATES DEPARTMENT OF AGRICULTURE  
Commodity Stabilization Service  
Oils and Peanut Division  
Washington 25, D. C.

April 4, 1955

To: Peanut Cooperative Associations  
Peanut Sheller Associations  
ASC State Committees, Peanut-Producing States  
Farm Organizations

From: Howard A. Akers, Chief, Commodity Programs Branch

Subject: Recommendations With Respect to Discounts on Loose Shelled  
Kernels to be Used in the 1955 Price Support Schedule

For 1954, discounts were put into effect on the price support program for loose shelled kernels contained in farmers stock peanuts. This discount was at the rate of 50¢ per ton for each full 1% loose shelled kernels in excess of 5%. At the time this discount was established, it was recognized that the penalty did not represent the actual difference in the value of peanuts for edible uses when loose shelled kernels are present. We wanted to gather data with respect to the quantity and quality of loose shelled kernels before attempting to establish the correct discount.

Prior to 1954 loose shelled kernels had been discarded from the grade sample and no record was made of the percentage that might be found. It was agreed that for the 1954 crop the Agricultural Marketing Service in co-operation with the Federal State Inspection Service would make some studies of the composition of loose shelled kernels and record the percentage of loose shelled kernels on the inspection memorandum.

In our recent discussions with respect to this subject, it has become evident that some of the shellers, warehousemen and producers do not understand the method now being used by the Federal State Inspection Service in dealing with loose shelled kernels or the net effect of the present procedure on the price support schedule.

Loose shelled kernels are handled in the Inspection Division differently from other grade factors and to illustrate, we are taking a step by step comparison to foreign material. In the case of foreign material the percentage is determined by the Federal State Inspectors from a large sample and then the large cleaned sample is reduced in size. The grade determination is then made from this smaller sample of in-shelled peanuts. The foreign material is used to determine the net weight of

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peanuts and in event that the foreign material is 5% or more it results in a discount on the price support schedule. In the case of loose shelled kernels, the loose shelled peanuts are determined from the same large sample that foreign material is determined from.

The loose shelled kernels are included in the net weight, however, they are not used in determining the grade factors for a particular lot of peanuts. The hulls which originally covered the loose shelled are classed as foreign material.

We are enclosing 2 tables. Table No. 1 is for Southwest Spanish peanuts and has been prepared to illustrate the differences in price support value between various lots of peanuts with and without the loose shelled kernels being examined in the grade sample. The last column in Table 1 shows the effect for the average grade of Southwest Spanish peanuts when the percentage of loose shelled kernels varies between 0 and 20 percent.

Table 2 gives the basic data for other types of peanuts. This information is sent to you in order that you may review it and determine whether you believe that this is the proper approach to determine differences in value.

It is requested that you advise us as early as possible as to your opinion on the subject.

*Howard G. Giers*

Enclosures

Table 1

Peanuts - Southwest Spanish: Differences in Price Support Values per Ton When Loose Shelled  
Kernels are Included in Analyses for Grade 1/

Assumed Composition of Delivery. Clean Basis <u>2/</u>		Calculated Grade for Assumed Delivery if L.S.K. are in Grade Sample <u>3/</u>			Price Support Value per Ton in dollars <u>4/</u>		
Percent in Shell	Percent L.S.K.	% SMK	% Damage	% Other Kernels	Without LSK in Sample	With LSK in Sample	Differ- ence
100	0	69.32	1.32	4.64	232.45	232.45	.00
99	1	69.17	1.42	4.93	"	231.76	.69
98	2	69.03	1.52	5.22	"	231.12	1.33
97	3	68.89	1.62	5.50	"	230.47	1.98
96	4	68.75	1.72	5.79	"	229.83	2.62
95	5	68.60	1.82	6.08	"	229.15	3.30
94	6	68.47	1.92	6.37	"	228.53	3.92
93	7	68.32	2.03	6.66	"	227.79	4.66
92	8	68.18	2.13	6.95	"	226.97	5.48
91	9	68.04	2.23	7.24	"	226.15	6.30
90	10	67.90	2.33	7.53	"	225.34	7.11
89	11	67.76	2.43	7.81	"	224.52	7.93
88	12	67.61	2.53	8.10	"	223.67	8.78
87	13	67.47	2.63	8.39	"	222.86	9.59
86	14	67.33	2.73	8.68	"	222.04	10.41
85	15	67.19	2.83	8.97	"	221.22	11.23
84	16	67.04	2.93	9.26	"	220.37	12.08
83	17	66.90	3.03	9.55	"	219.51	12.98
82	18	66.76	3.13	9.83	"	218.52	13.93
81	19	66.62	3.23	10.12	"	217.53	14.92
80	20	66.48	3.34	10.41	"	216.50	15.95

1/ Loose shelled kernels (L.S.K.) are currently excluded from the sample used for determining such grade factors as Sound Mature, Damage and Other Kernels. They are not classed as foreign material, however, so that they now make up part of the net weight when they are present.

2/ To simplify calculations it is assumed that no foreign material is present.

3/ The average grade for S.W. Spanish for the past 5 years is, SMK 69.32%, Damage 1.32%, other Kernels 4.64%. Also Malcom Smith found that 1954 S.W. Spanish Loose Shelled Kernels graded as follows, SMK 55.10%, Damage 11.40% Other Kernels 33.50%. To get the calculated grades shown the assumed percent of "in shell" was multiplied against the 5 year av. grade factor and to this amount was added the assumed percent of L.S.K. multiplied against the grade factors for L.S.K.

4/ See bottom of Table 2







Table 2

Peanuts - Average Grade Factors by Type for 1949-1953  
and for Loose Shelled Kernels for 1954

Type	Five Year Average for Type <u>5</u> /			Loosed Shelled Kernels <u>6</u> /		
	% SMK	% Damage	% Other	% SMK	% Damage	% Other
Virginia	66.38	1.18	2.84	72.4	14.3	13.3
Runner	66.24	1.86	4.82	59.0	2.5	61.5
Spanish (Southeast)	70.22	2.38	4.16	60.2	6.2	33.6
Spanish (Southwest)	69.32	1.32	4.64	55.1	11.4	33.5

4/ The 1954 price support schedule was used and exact values were calculated without rounding the grade factor to the nearest whole percent. In determining discounts for damage up to 2.01% the amount of damage was multiplied against \$1.70 ( $\$3.40 \div 2 = 1.70$ ). For discounts from 2.01 up to 3.01% the percent of damage exceeding 2% was multiplied against \$3.40 and added to \$3.40 which is the full discount for 2% damage.

5/ From Oils and Peanut Division Data.

6/ From AMS Data - Figures are Preliminary and may be subject to later revision.

Oils and Peanut Division  
Commodity Programs Branch  
April 1, 1955





